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ABSTRACT

Child care provisions in the federal welfare bill allow state policymakers flexibility in child care fund allocation. This report, prepared for the 75th Texas Legislature, reviews research on the importance of child care programs to low-income families. The report notes that the child care needs of many low-income Texas families have not been met in the last few years. Most subsidies have been directed toward families leaving the welfare rolls, leaving little assistance for poor and near-poor working families. The continued increase in mothers' participation in the labor force and Hispanic population growth will generate increasing demands for child care services. Affordable, reliable, flexible, and safe child care is critical to parents' productive employment. Child care investments benefit children by helping them prepare for school, thereby reducing their chances of future welfare dependence. Low-income families are more likely than more affluent families to rely on relative care and less likely to rely on center-based arrangements, with affordability one of the most important factors influencing parents' choice of child care arrangements. Working poor families are the least likely of all income groups to receive child care financial assistance. The report also notes that low-income Texan families receive child care and educational services through three independently operating systems: child care programs administered by the Texas Child Care Management System, Head Start administered by the federal Department of Health and Human Services, and the prekindergarten programs administered by the Texas Education Agency. The Texas Legislature has recently passed several bills mandating increased coordination among child care and prekindergarten programs. Contains 69 references. (Author/KB)

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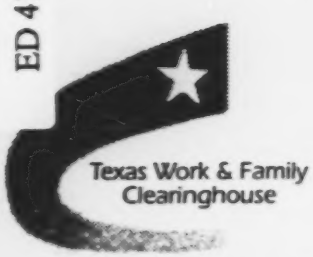

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Prepared for:

Texas Work and Family Clearinghouse
Texas Workforce Commission

By: Deanna Schexnayder
and Jody McCoy

December 1996

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Child care provisions in the federal welfare reform bill provide state policy makers new flexibility in allocating funds for child care among Texas' low-income families. However, along with this new discretion comes greater pressure to meet the state's growing demand for child care services. While the demand for child care assistance among current welfare recipients will inevitably increase as the state strives to meet federal work requirements, demographic trends signal an increasing demand for child care among all low-income families, not only those moving from welfare to work. The increasing labor force participation of Texas mothers, the growth of the Hispanic population, and high poverty rates among Texas children all point to a need for further state investment in child care. This report, prepared for the 75th Texas Legislature, is a review of the existing research on the importance of child care programs to low-income families.

Recent research clearly indicates that early education and child care programs are linked to the successful labor force participation of working parents. Studies also illustrate that high quality early childhood programs enhance the social and educational development of children. The benefits are particularly significant for low-income families, whose impoverished children stand the most to gain from program resources not otherwise available to them.

Despite these potential benefits, a look at the demand for child care in Texas during the last few years reveals that the child care needs of many low-income families have not been met. Most child care subsidies have been directed toward families leaving the welfare rolls, leaving little assistance for poor and near-poor working families. Recent efforts initiated by the legislature to increase coordination among child care, prekindergarten, and Head Start are designed to help Texas meet the tremendous need for child care and early education services among the children of low-income families.

Demographic trends and the demand for child care services

Social and economic trends in Texas of the last decade are expected to continue into the next century, generating an increasing demand for child care services. This demand will be driven by two primary factors: (1) a continued increase in the labor force participation of Texas mothers, (2) tremendous growth of the Hispanic population, who tend to form families at a younger age and have more children than other population groups. In addition to the absolute growth in the size of the population needing child care, a larger share of these children will live in poor families.

Child care has been a major concern nationwide as large numbers of mothers entered the labor force. As of 1993, nearly 10 million children under the age of five, 1.6 million of them from families with monthly incomes below $1,500, needed child care while their mothers worked.[1] In 1994, the number of women with children in the U.S. labor force rose to 32.2 million (up from 24.2 million in 1990).[2] Fifty-seven percent of women with children under three, 60 percent of women with children under 6, and 76 percent of women with children ages 6 to 17 were working.[3]

A similar trend is evident in Texas. By the year 2000, 50 percent of the state's workers will be women, many of whom will be mothers who need child care.[4] In 1990, 58 percent of women with children under 6 and 72 percent of women with children ages 6-17 were working.[5] Sixty-three percent of mothers in two-parent families and three-fourths of all single parents were working, with 70 percent of these parents employed in full time jobs.[6]

The demand for child care services is also likely to be influenced by a tremendous increase in the Hispanic population. In 1990, Hispanics accounted for nearly a quarter of the state's workers. By the end of the decade, it is estimated that Hispanics will account for more than 50 percent of the growth of the Texas workforce.[7] In 1995, Hispanic births rose by 3 percent, the 12th consecutive annual increase.[8]

Another demographic factor to be considered in planning for child care in Texas is the relatively large number of poor children who live in the state. In 1990, one in four of the state's 4.57 million children lived in poverty, the 9th highest rate of child poverty among all the U.S. states. [9,10] Many of these children are minorities; forty percent of both Hispanic and black children are poor.[11] The majority of poor families in Texas are two-parent, Hispanic families, with at least one adult working in approximately two-thirds of all families.[12]

In addition to the demographic factors fueling the demand for child care, the recently enacted welfare reform legislation will require large numbers of single parents on welfare to move from welfare to work. In Texas, approximately half of all AFDC caretakers have at least one child under the age of five.[13] Many of these children will need child care in order for their parents to work.

Child care and the labor force participation of parents

Child care plays a pivotal role in parents' efforts to prepare for and sustain employment in Texas. .A substantial body of research indicates that the key to ensuring that parents stay in their jobs, are productive workers, and remain self-sufficient is not merely the provision of any child care, but rather access to child care that is affordable, reliable, flexible, and safe.[14] In order for child care to be an effective component of a workforce development strategy, parents must be able to afford care that they are confident will protect the well-being of their children and that is sure to accommodate their demanding and often non-standard work schedules.

Affordability. The cost of child care is an important determinant of the labor force participation of parents, especially mothers. A mother's decision to work is determined in part by her earnings over her child care costs.[15] A number of studies have shown that the

higher the costs of care, the lower the mother's labor force participation, particularly for low-income mothers:[16]

- A 1994 study funded by the National Institute of Child Health and Human Development found a relationship between high costs of care and lower employment among low-income parents; the effects were not as significant among high-income parents.[17]

- A 1986 study by the U.S. Bureau of Labor Statistics found that child care costs prevented a quarter of mothers and 34 percent of poor mothers ages 21 to 29 age from working.[18]

- In 1987 the U.S. Government Accounting Office (GAO) found that 60 percent of participants in 61 welfare-to-work programs in 38 states were prevented from taking part due to a lack of affordable child care.[19]

Providing subsidies to low-income mothers can help increase the likelihood that low-income mothers will work. In 1994, GAO found that providing a full subsidy to mothers who pay for child care could "increase the proportion of poor mothers who work from 29 percent to 44 percent, and that of near poor mothers from 43 percent to 57 percent. By comparison, the probability of non-poor mothers working could increase from 55 percent to 65 percent."[20]

Reliability. Some studies have also documented the importance of reliability of arrangements to the labor force productivity of parents:

- Failures in child care arrangements caused nearly one out of every six working mothers, mostly those who relied on informal care arrangements, to lose time from work in the prior month, according to data from the 1990 National Child Care Survey.[21]

- A 1991 study of single AFDC participants in Illinois found that child care problems caused one in five women to lose their jobs and return to welfare. Many more, particularly those using informal arrangements, were prevented from working full time and from going to school.[22]

Flexibility. Flexibility is another important requirement of satisfactory child care arrangements, particularly for women with non-standard work schedules. Such schedules are particularly common among low-income women:

- According to the U.S. Department of Labor, nearly five million women worked full-time, non-standard hours in 1991. In the prior year, 7.2 million mothers with 11.7 million children under 15 worked non-standard hours.[23]

- Data from the 1990 National Child Care Survey indicate that one-third of working poor mothers and more than one-fourth of working class mothers work weekends, and almost half of working poor mothers work on a rotating schedule.[24]

As a result of non-standard hours and rotating schedules, many low-income families are forced to rely on multiple arrangements:

- Nearly a quarter of low-income children under 5 and half of low income preschoolers in employed, single-parent families rely on multiple arrangements.[25]
- A 1992 study of the GAIN program in California found that almost one-third of children were in multiple arrangements due parents' irregular work and school schedules.[26]

Safety. Trust in providers is another issue affecting the labor force success of working mothers. Safety issues are of particular concern to low income families, who tend to live in high-crime areas:

- The 1992 GAIN study found that single mothers were twice as likely to withdraw from the program when they questioned whether their children were safe with their child care providers.[27]

These findings illustrate that child care must meet certain standards if it is to have a positive impact on the labor force participation of low-income parents. As Texas moves families off welfare rolls and into jobs, the specific aspects of child care which aid parents in succeeding at work should not be overlooked.

Child care and benefits for child development

Investment in child care not only enables parents to work, but also benefits children, helps them prepare for school, and reduces their odds of welfare dependence in the future. In this context, child care often is the first step toward the development of a strong and well-educated labor force. Prior research indicates that low-income children have more educational and social problems than children in higher income families.[28] Children of poor families are more likely to have behavioral, psychological and social problems including depression and low self confidence;[29] experience problems in school with poor attendance, suspension, grade repetition, and drop outs;[30] and have difficulty entering adulthood.[31]

Literature on early intervention and child care programs indicates that such programs have the potential to ameliorate the effects of poverty by enriching the immediate and future educational, social, and labor market success of poor children.[32] However, it is important to recognize that most of this research was conducted on high quality preschool programs and of programs serving special groups. Virtually no research has examined the long-term effects for children in the vast array of more informal child care arrangements.[33] The findings do suggest that child care programs of equally high quality have the potential to produce similar benefits for children.

During the past decade research has clearly demonstrated that developmentally appropriate, early childhood programs provide immediate benefits for those who participate:

- Children's cognitive and socio-emotional development is enhanced by quality early childhood programs, according to findings of the National Research Council in 1990.[34]
- A review of the literature conducted in 1992 found that quality early childhood education and care programs were linked to reductions in special education enrollment and grade retention for low income minority children, although gains in IQ and achievement dissipated by third grade.[35]

A number of more recent studies have reinforced these findings:

- A 1995 nationwide study found benefits for children, especially those "at-risk" of school failure, in higher quality preschool classrooms in terms of language, pre-mathematics, and social skills.[36]

- A 1994 study by researchers at Columbia University found that children's enrollment in high quality center-based programs was linked to higher IQ and verbal ability and fewer behavioral problems.[37]

Research also illustrates that these programs can have lasting benefits for those who participate and for society:

- A 1995 study by researchers at New York University found that by age 27, participants of early education programs were more likely to graduate from high school, had increased earnings, were more likely to be homeowners, and were less likely to receive public assistance.[38]

- The High/Scope Educational Research Foundation's evaluation of the Perry Preschool Program found that an investment of $1.00 saved society $7.00 over 27 years due to reduced need for special education, reduced welfare dependency, less crime, and increased labor productivity.[39]

Although evaluations of high quality early childhood programs have indicated benefits of participation, the small handful of recent studies observing children in the vast array of typical child care arrangements utilized by low-income families has not documented substantial positive benefits for children. Instead, these studies have found numerous instances of low-quality care across all types of arrangements, although quality appears to be a more serious problem in informal than formal care arrangements. [40] The research indicates that "one in seven children receives poor quality care in typical available arrangements."[41] Infant and toddler care is even more likely to be of poor quality.[42] In direct contrast to high quality child care, low-quality care appears to have modest detrimental effects on the short-term development of those served; the long-term effects on child development and society at large have not been evaluated.[43] The impacts of low quality care may matter more for low-income children:

- The 1995 study by the Cost, Quality, and Child Outcomes Study Team revealed that of those centers examined, overall one in eight and nearly 40 percent of those serving infants and toddlers provided mediocre to poor quality care, while only one in seven

centers provided good care. The study also indicated that the impact of poor quality is even greater for low income children.[44]

- A 1995 North Carolina study of minority infants from low and middle-income families in 23 center-based classrooms found that over half provided poor quality care.[45]

- A 1995 study of by the National Institute of Child Health and Human Development examined child care arrangements for over 500 infants and found that 20 percent received care from moderately to highly detached and insensitive providers.[46]

- Findings from a 1994 study of family and relative providers serving low-income children under 6 in California, Texas, and North Carolina indicated that nearly three-fourths were in unsafe, unsanitary, and unresponsive care. Relative care was more likely to be of poor quality than both regulated and unregulated home-based providers.[47]

- A 1994 national study by the Families and Work Institute found that the quality in over one-third of family child care programs, many of which serve low income and minority children, is low enough to harm children's development. Less than one in ten homes provided developmentally appropriate care.[48]

- The 1989 National Child Care Staffing Study found that most child care programs were of average quality or worse, affecting children's competency in language and social development.[49]

Despite the wide variation in quality across programs, childhood development experts appear to be in agreement as to which factors constitute high quality programs.[50] The characteristics of child care programs generally defined by experts as having a positive influence on children are small group size; appropriately trained caregivers; stable child-caregiver relationships; educationally oriented curricula; and high staff-child ratios.[51] Not surprisingly, parents' views on quality care are somewhat different. Studies illustrate that parents view warm and nurturing providers and care that promotes learning as the most important indicators of quality.[52,53] This distinction is important because arrangements of low-income children are determined both by parents' perceptions of quality and by financial and other work-related constraints that limit their range of viable options. Research indicates that parental monetary and time limitations are of primary importance in the choice of care, followed by concerns for quality.[54]

Child care choices of low-income families

Data from the 1990 National Child Care Survey, a nationwide telephone survey of households with children under age 13, reveal distinct differences between child care arrangements used by middle- and upper-income families and those used by low-income families with annual incomes below $15,000. While nearly half of all children (including those from low-income families) are cared for by a parent, low-income families are more likely to rely on relative care and less likely to rely on center-based arrangements when parental care is not an option. Center-based care is used by 21 percent of all children under five but by only 15 percent of low-income children. A larger proportion of low-income children (22 percent) are in relative care arrangements, compared to 15 percent of all children. The data also reveal that employed, two-parent families are twice as likely to rely on parents for care than employed, single parent families, who rely more on center and family day care.[55]

The affordability of child care is one of the most important factors influencing a parent's choice of arrangements. Low-income families pay a disproportionately larger share of their income for child care. Among families paying for at least a portion of their child care in 1993, those earning less than $1,500 per month paid $54 per week (24 percent of their monthly incomes) while those with monthly incomes from $1,500 to $2,999 paid $61 (6 percent of their monthly incomes.)[56] Several studies have documented the role child care cost and assistance plays in the child care choice of parents:

- In 1990 Hofferth and Wissoker reported that the choices of parents are guided more by price of care than they are by quality. Parents were less likely to choose more expensive, formal care; however, increasing income would influence their selection of more formal arrangements.[57]

- Low-income respondents in the 1990 National Child Care Survey were four times more likely than higher income parents to state that cost affected their choice of child care services.[58]

- The 1991 study of child care use among AFDC recipients in Illinois found that over 80 percent of those who worked or were in educational programs reported problems with the cost of care, forcing many to rely on relative providers.[59]

Since formal arrangements are typically more expensive than informal arrangements, family income limits the type of care families can access. Those using center-based care are much more likely to pay something for care and to pay more for care than those using relative care; in 1993, approximately 90 percent paid for center-based and family day care but only 17 percent of those using relative care paid for care.[60] Thus, unless they receive financial assistance, low-income families have less access to center-based care.[61] Ninety percent of non-working poor families and 50 percent of working poor families using center-based care report receiving financial assistance.[62]

Other studies have found that low-income families typically face a shortage of formal care in their less affluent neighborhoods and have difficulty finding centers that offer sliding-scale fees or accept children whose care is subsidized.[63,64] Also, many low-income families who live in high-crime areas and have experienced discrimination turn to relatives they trust to ensure that their children are in safe environments.[65] Finally, while low-wage work is often unstructured, centers typically operate standard weekday hours. Twenty-five percent of working class and one-third of working poor mothers work weekends, but only ten percent of centers and six percent of family day care homes operate on weekends.[66]

Low-income families' access to financial assistance for child care

Studies indicate that low family income is generally associated with low quality care, and that nonmaternal sources of income are needed if families are to access high quality arrangements.[67] A 1990 GAO report found that on average nationwide the cost of high quality center-based care was $4,797, which at a minimum totaled 45 percent of a poor family's income.[68]

While families of all income levels receive financial assistance with their child care costs, working poor families are the least likely of all income groups to receive such assistance. Data from the National Child Care Survey indicates that "whereas 37 percent of both nonworking-poor and middle-income families receive direct or indirect financial assistance with their child care costs, only 30 percent of the working poor receive such assistance."

The poorest families typically benefit from direct subsidies for care. In allocating funds to directly subsidize the costs of child care, states often face a trade-off between parents who are moving from welfare to work and employed parents who are living in or near poverty. Prior evidence reveals that many states have underserved the working poor population in order to meet the demand of families on welfare. According to a 1994 study by the Children's Defense Fund (CDF), "many states [including Texas] diverted state funds previously used to help working poor families in order to meet state match requirements for AFDC child care."[69] Poor children who receive public subsidies are able to access more center-based care and early intervention programs. As a result, they "face a range of quality very similar to that of higher income families."[70] On the other hand, low-income working families not receiving public subsidies are forced to rely more on home-based and informal arrangements which may be providing poorer quality care.[71]

Middle- and upper-income families generally receive indirect financial assistance either through the Child and Dependent Care Tax Credit or salary reduction plans. In 1993, nonpoor families received over $2.5 billion in federal child care support through the tax credit. Working poor families are typically ineligible for this tax credit because they do not earn enough to pay federal income tax.[72] Salary reduction plans are authorized by another tax code provision that allows some workers to set aside funds to pay for child care with pre-tax dollars. Such plans provide the largest subsidies to families in the highest tax brackets (approximately 35.5 percent of child care costs for families in the 28 percent tax

bracket) and only minimal subsidies (approximately 7.5 percent) to working poor families.[73]

Current outlook for low-income Texas families

Low-income families in Texas receive child care and educational services through three main channels: child care programs administered by the Texas Workforce Commission through the Texas Child Care Management System (TCCMS), Head Start administered by the federal Department of Health and Human Services (DHHS), and prekindergarten programs administered by the Texas Education Agency (TEA).[74] Nationally, each of these realms of services has traditionally operated separately, had its own financing, and provided services of varying quality, comprehensiveness, and hours of operation.[75]

In Texas, children up to the age of 12 in families whose incomes are at or below 150 percent of the poverty line and whose parents need to work or attend training are eligible for child care subsidies.[76] While approximately 63,000 children receive subsidized care, in the past several years, the Texas Workforce Commission estimates that only 4 in 100 eligible children have been served daily.[77,78] 85 percent are from families whose incomes are at or below 100 percent of the poverty threshold.[79] Even with the additional $499 million made available by federal welfare reform legislation for child care in Texas over the next six years, it is estimated that no more than 5 percent of children eligible for programs will be served.[80] Currently, there are approximately 30,000 children on the waiting list statewide for child care services. [81] All areas have extensive waiting lists; in metropolitan areas, low income families may remain on the waiting list for 2 to 3 years.[82]

Despite this shortage of care, Texas' per capita expenditures on child care have increased in the past few years, from $12.21 in 1995 (estimated) to $12.60 in 1996 (appropriated) and $13.20 in 1997 (appropriated).[83] Texas ranked thirteenth in total capital expenditures for child care and early development in 1990, according to a 50-state survey

by the Children's Defense Fund (CDF). However, CDF acknowledged that this high ranking was mostly due to Texas' investment in its prekindergarten programs that year ($114.2 million). "Without the preschool program," states CDF, "Texas would probably have fallen to the lowest third of states in per child expenditures."[84]

Texas has made a significant investment in early education programs. Texas was among the top 5 states in per capita state prekindergarten investments in 1991-92. In that year, Texas funded prekindergarten programs at $144 million and served approximately 80,000 children (56 percent of the four year-olds eligible).[85] According to a recent TEA study, this investment has made a difference in the lives of Texas children. A five-year evaluation study of Texas prekindergarten programs indicated positive trends in academic performance for children who participated. In 1994, four years after participating in prekindergarten programs, children were "less likely to be retained; closer to being on grade level in their reading comprehension; and less likely to be referred for special education programs."[86]

Recognizing the lack of substantial coordination among the three realms of early childhood programs - child care, prekindergarten, and Head Start, the Texas Legislature passed a number of bills mandating increased coordination among child care and prekindergarten programs in program services, personnel preparation, eligibility requirements, funding, enrollment periods, fees, and administrative functions.[87] Legislation requires the Texas Health and Human Services Commission to assume responsibility for planning oversight and report its findings and recommendations to the 95th Legislature in 1997.[88]

Concluding Remarks

Texas will face tremendous pressure to meet a growing demand for child care services well into the next century, much of this coming from an increasing number of low-income working families. Unless policy makers understand the importance of high

quality child care for all children — including children in low income working families who parents cannot afford the full cost of such care— many children in Texas will not receive the type of care needed to enable their parents to maintain productive employment and to enhance their chances of success in school.

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